

# GEOX

## GEOX S.P.A. BOARD OF DIRECTORS APPROVED 2012 RESULTS

### SALES: EURO 807.6 MILLION, SOLID NET CASH POSITION AT EURO 54.1 MILLION

- **Sales: Euro 807.6 million (Euro 887.3 million in 2011)**
- **EBITDA adj<sup>1</sup>: Euro 86.0 million, 10.6% margin (Euro 121.9 million in 2011 <sup>(\*)</sup>)**
- **EBIT adj<sup>2</sup>: Euro 47.0 million, 5.8% margin (Euro 82.9 million in 2011 <sup>(\*)</sup>)**
- **Solid Net Cash Position: Euro 54.1 million (Euro 90.7 million in 2011)**

**Biadene di Montebelluna, March 6, 2013** – The Board of Directors of Geox S.p.A., the Italian company leader in the *classic* and *casual* footwear market listed on the Milan Stock Exchange (MSE: GEO.MI), approved today the 2012 financial results.

Mario Moretti Polegato, Chairman and founder of Geox, commented: “Geox has closed 2012 with results in line with expectations, reflecting the difficult economic situation in some of the Group's most important markets, such as Italy, Spain and Greece, where the contraction in consumer spending is particularly marked. On the other hand, there has been expansion in Russia, Eastern Europe, China and Hong Kong, which is encouraging. The Group has continued its growth strategy focused on these emerging markets and has continued to invest in the development and opening of more than 70 monobrand stores. In particular, the Group plans to open in China, over the next 5 year's, 100 directly operated stores and a further 400 stores (*shop in shop*, corner) will be opened by partners. The strong cash position at year-end, Euro 54 million, allows us to propose the distribution of a dividend of Euro 0.06 per share”.

### THE GROUP'S ECONOMIC PERFORMANCE

#### Sales

2012 consolidated net sales decreased by 9.0% (-9.9% at constant exchange rates) to Euro 807.6 million. Footwear sales represented 85% of consolidated sales, amounting to Euro 689.0 million, with a 8.7% decrease compared to 2011. Apparel sales accounted for 15% of consolidated sales equal to Euro 118.6 million, with a 10.5% decrease.

(Thousands of Euro)	2012	%	2011	%	Var. %
Footwear	689,041	85.3%	754,777	85.1%	(8.7%)
Apparel	118,574	14.7%	132,495	14.9%	(10.5%)
<b>Net sales</b>	<b>807,615</b>	<b>100.0%</b>	<b>887,272</b>	<b>100.0%</b>	<b>(9.0%)</b>

<sup>1</sup> Excluding non recurring costs, equal to Euro 24.4 million (Euro 0.6 million in 2011).

<sup>2</sup> Excluding non recurring costs (highlighted in note 1) and asset impairments, equal to Euro 2.6 million (No asset impairment in 2011), on investments made in the stores' network.

<sup>(\*)</sup> The retrospectively application of the amendment to IAS 19 - *Employee Benefits*, general and administrative expenses for the year 2011 has increased for Euro 0.2 million.

# GEOX

Sales in Italy, the Group's main market, which accounted for 35% of sales (38% in 2011) amounted to Euro 285.9 million showing a 15.3% decrease.

Sales in Europe, which accounted for 42% of sales (in line with 2011) declined by 8.0% to Euro 341.9 million, compared with Euro 371.6 million in 2011.

North American sales increased by 2.7% at Euro 55.1 million (-4.5% at constant exchange rates). Sales in the Other Countries were stable (-2.6% at constant exchange rates).

(Thousands of Euro)	2012	%	2011	%	Var. %
Italy	285,872	35.4%	337,375	38.0%	(15.3%)
Europe (*)	341,900	42.3%	371,625	41.9%	(8.0%)
North America	55,061	6.8%	53,595	6.0%	2.7%
Other countries	124,782	15.5%	124,677	14.1%	0.1%
<b>Net sales</b>	<b>807,615</b>	<b>100.0%</b>	<b>887,272</b>	<b>100.0%</b>	<b>(9.0%)</b>

(\*) Europe includes: Austria, Benelux, France, Germany, UK, Iberia, Scandinavia, Switzerland

Analyzing sales by distribution, the Geox Shop channel (franchising and *Directly Operated Stores* - DOS) increased by 4.2%. This channel represented 52% of sales (45% in 2011).

The sales of directly operated stores (DOS), which accounted for 29% of sales, increased by 10.0% to Euro 234.2 million, thanks to new openings and to the positive performance (+3%) of the stores that have been open for at least 12 months (comparable stores sales).

Franchising channel declined by 2.4% in 2012 to Euro 183.2 million, equal to 23% of sales.

Multibrand channel, which accounted for 48% of sales (55% in 2011), declined by 19.8% to Euro 390.3 million.

(Thousands of Euro)	2012	%	2011	%	Var. %
<b>Multibrand</b>	<b>390,304</b>	<b>48.3%</b>	<b>486,861</b>	<b>54.9%</b>	<b>(19.8%)</b>
Franchising	183,151	22.7%	187,571	21.1%	(2.4%)
DOS*	234,160	29.0%	212,840	24.0%	10.0%
<b>Geox Shops</b>	<b>417,311</b>	<b>51.7%</b>	<b>400,411</b>	<b>45.1%</b>	<b>4.2%</b>
<b>Net sales</b>	<b>807,615</b>	<b>100.0%</b>	<b>887,272</b>	<b>100.0%</b>	<b>(9.0%)</b>

\*Directly Operated Stores.

# GEOX

As of December 2012 the overall number of Geox Shops was 1,212 of which 300 DOS. During 2012, 212 new Geox Shops were opened and 140 have been closed. New openings of 2012 include shops in St. Petersburg, Hong Kong, Beijing and Shanghai.

	12-31-2012		12-31-2011		2012		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Net Openings	Openings	Closings
Italy	432	84	392	79	40	61	(21)
Europe (*)	350	135	320	126	30	62	(32)
North America	40	40	44	40	(4)	4	(8)
Other countries (**)	390	41	384	17	6	85	(79)
<b>Total</b>	<b>1,212</b>	<b>300</b>	<b>1,140</b>	<b>262</b>	<b>72</b>	<b>212</b>	<b>(140)</b>

(\*) Europe includes: Austria, Benelux, France, Germany, UK, Iberia, Scandinavia, Switzerland.

(\*\*) Includes Under License Agreement Shops (125 as of December 31 2012, 171 as of December 31 2011). Sales from these shops are not included in the franchising channel.

## Cost of sales and Gross Profit

Cost of sales, as a percentage of sales, was 51.9% compared to 53.9% of 2011, producing a gross margin of 48.1% (46.1% in 2011). The increase in gross profit, compared with 2011 is explained by the favorable trends of currencies, increased profitability in the directly operated stores, the steps taken in terms of product mix, channels, prices, which offset unfavorable trends in raw material prices and labour costs increases in supplier countries.

## Operating expenses and Operating income (EBIT)

Selling and distribution expenses as a percentage of sales was 5.4%, substantially in line with 2011 (5.1%).

General and administrative expenses were equal to Euro 251.9 million, compared with Euro 234.7 million of 2011. General and administrative expenses, as a percentage of sales, were 31.2%, compared to 26.5% of 2011.

The increase, in line with management expectations is mainly due to growth initiatives:

- costs of opening and running of directly operated stores (DOS);
- investments in management and operations for the start up of new subsidiaries.

Advertising and promotions expenses were equal to 5.7% of sales compared to 5.2% of 2011.

In 2012, non-recurring expenses, special items, were recorded for Euro 24.4 million deriving from the implementation of a broad strategic and organisational review process consequent to the change in CEO. They refer, in particular, to the rationalization of resources in countries that are most impacted by a difficult macroeconomic environment in favour of investments in countries that are experiencing growth and development processes, as well as the streamlining of the network of directly operated stores and franchisees prior to extending the know-how gained by Geox in retail management also to the franchise network with the aim of increasing the efficiency and overall profitability of the chain.

These strategic guidelines have led to the formalisation of termination agreements with the former CEO and certain managers, and the provision of charges to complete the rationalization of the workforce for a total of Euro 12.4 million. The charges linked to the

# GEOX

transition to the new model of retail management (direct and franchisees) amount to Euro 12.0 million and relate to rationalization of that part of the sales network that consists of independent agents, the closure of certain direct stores that are underperforming in terms of profitability and rationalization of the network of franchisees.

The operating results adjusted, excluding special items mentioned above and asset impairment, is equal to Euro 47.0 million (5.8% on sales) compared with Euro 82.9 million (9.3%) of 2011.

## EBITDA

EBITDA was Euro 61.6 million, 7.6% of sales, compared to Euro 121.3 million (13.7%) in 2011.

EBITDA adjusted, excluding special items, is equal to Euro 86.0 million, 10.6% of sales, compared to Euro 121.9 million of 2011 (13.7% of sales).

## Income taxes and tax rate

Income taxes were equal to Euro 7.7 million, compared to Euro 28.0 million of 2011, with a tax rate of 43% compared with 36% of 2011. The increase in the tax rate is mainly explained by the incidence on EBT of local taxes, mainly IRAP.

## **THE GROUP'S FINANCIAL PERFORMANCE**

The Group balance sheet shows a solid net cash position of Euro 54.1 million.

The ratio of net working capital to sales comes to 23.8% compared with 24.5% of 2011. This improvement is due to our handling of payment terms with suppliers and a reduction in the receivables, which more than offset the increase in inventory.

Free cash flow was Euro 20.3 million, compared with Euro 16.6 million of 2011. This improvement is mainly due to the operating working capital.

During the period Euro 41.5 million dividend (Euro 46.7 million in 2011) were distributed. Capital expenditures were Euro 48.1 million (Euro 36.1 million in 2011) of which Euro 32.0 million for new store openings and store refurbishment.

The Group balance sheet shows a solid net cash position. Before the fair value adjustment of derivatives, net cash position was 57.8 million, compared to 78.2 million of 2011. After fair value adjustment of derivatives, which negatively affected 2012 for 3.6 million versus a positive contribution of 12.5 million of 2011, net cash position was equal to Euro 54.1 million (Euro 90.7 million at the end of 2011).

## **FINANCIAL STATEMENT OF THE PARENT COMPANY, GEOX S.p.A.**

The Board of Directors also approved the financial results of Geox S.p.A., the group's parent company, for the year ending December 31, 2012 and the annual corporate governance report.

Sales reached Euro 602.8 million, from Euro 702.4 million in 2011. Net Income was Euro 16.4 million (Euro 43.1 million in 2011) with a 2.7% margin.

Shareholders' equity at the end of December 2012 amounted to Euro 425.8 million from Euro 464.4 million at the end of 2011. Net cash was Euro 91.3 million, from Euro 98.8 million at the end of 2011.

The Board of Directors has agreed to convene the General Meeting of Shareholders on April 17 to approve the 2012 Statutory Financial Statements.

# GEOX

## **PROPOSED DIVIDEND**

The Board of Directors has decided to propose to the Shareholders' Meeting the distribution of a dividend of Euro 0.06 per share. The cash dividend will be payable on May 23, 2013 (with record date of May 20, 2013).

## **STOCK OPTION**

Pursuant to art. 84-bis, para. 5, of Consob Regulation no. 11971/99 (Issuers' Regulations), we inform you that, as part of the second grant of Options under the Stock Option Plan 2011-2012 approved by the shareholders on 22 December 2011, 500,000 stock options were assigned to the Company's CEO, the person identified as the grant beneficiary on the proposal of the Remuneration Committee. The Implementation Regulations of the Stock Option Plan approved by the shareholders on 22 December 2011 are available on the website [www.geox.com](http://www.geox.com). For further details on this grant, please read the Report on Remuneration approved today by the Board of Directors.

## **FORECAST FOR OPERATIONS AND SIGNIFICANT SUBSEQUENT EVENTS**

In 2012, the macroeconomic and financial environment has become increasingly difficult in Europe, especially in the Mediterranean area, with the introduction of growing austere fiscal policies, restrictions on access to credit for commercial distribution and a deterioration in consumer expectations. In this context, management decided to adopt prudent policies with a view to containing business risk, rationalization of the wholesale accounts, maintaining strong control over working capital and focus on margins. This led, among other things, to lower promotions during the sales period and selective cancellations of orders of customers in financial difficulty.

Given that these problems are generally expected to linger on in 2013, especially in commercially important countries like Italy, Spain, Portugal and Greece, and bearing in mind that there are still products in stock with the distribution network in certain geographical areas, because of unsatisfactory sales during 2012, above all in the wholesale channel, management believes that it will have to take a very prudent look at sales and is expecting to see a high single digit decrease in sales of in the first half of 2013.

Given the current situation, the Geox Group has reacted with measures aimed to generate cash and boost gross margins, which are confirmed by the orders book in terms of product mix, channels and prices. Furthermore, significant investments related to new shop openings, management hiring and commercial structure improvements in Russia, Eastern Europe and Asia will allow us to achieve the important potential growth opportunity in these markets, where the Group's presence is still limited, but rapidly growing. These investments will however lead to pressure, initially, fiscal year operating margins (EBITDA).



## **DECLARATION BY THE MANAGER RESPONSIBLE FOR THE PREPARATION OF COMPANY ACCOUNTING DOCUMENTS**

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The manager responsible for the preparation of the company's financial documents, Mr. Livio Libralesso, hereby declares, in accordance with paragraph 2 article 154 bis of the Testo Unico della Finanza that, based on his knowledge, the accounting information contained in this document corresponds to the results documented in the books, accounting and other records of the company.

## **FOR MORE INFORMATIONS**

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### INVESTOR RELATIONS

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## **GEOX GROUP**

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The Geox Group operates in the classic and casual footwear sector for men, women and children, with a medium/high price level, and in the apparel sector. The success of Geox is due to the constant focus on the application of innovative solutions and technologies on the product that guarantee both impermeability and breathability. Geox is one of the leading brand in the "International Lifestyle Casual Footwear Market" (Source: Shoe Intelligence, 2012). Geox technology is protected by over 60 different patents registered in Italy and extended internationally.

## **DISCLAIMER**

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This document includes forward-looking statements, relative to future events and income and financial operating results of the Geox Group. These forecasts, by their nature, include an element of risk and uncertainty, since they depend on the outcome of future events and developments. The actual results may differ even quite significantly from those stated due to a multiplicity of factors.

## **ANNEXES**

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- Consolidated income statement
- Reclassified Consolidated balance sheet
- Reclassified Consolidated cash flow statement

2012 and 2011 results are reported under IAS/IFRS and have been audited. Consolidated balance sheet and cash flow statement are reclassified with statements normally used by management and investors to assess the Group's results. The afore-mentioned reclassified financial statements do not meet the presentation standards set down by the IFRS and thus are not to be considered a replacement. However, since their contents are the same, they can be easily reconciled with those envisaged by the International Accounting Standards.

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# GEOX

## CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)	2012	%	2011 (*)	%
<b>Net sales</b>	<b>807,615</b>	<b>100.0%</b>	<b>887,272</b>	<b>100.0%</b>
Cost of sales	(419,522)	(51.9%)	(478,140)	(53.9%)
<b>Gross profit</b>	<b>388,093</b>	<b>48.1%</b>	<b>409,132</b>	<b>46.1%</b>
Selling and distribution costs	(43,379)	(5.4%)	(45,581)	(5.1%)
General and administrative expenses	(251,907)	(31.2%)	(234,702)	(26.5%)
Advertising and promotion	(45,777)	(5.7%)	(45,935)	(5.2%)
<b>Operating result</b>	<b>47,030</b>	<b>5.8%</b>	<b>82,914</b>	<b>9.3%</b>
Special items	(24,425)	(3.0%)	(582)	(0.1%)
Net asset impairment	(2,640)	(0.3%)	-	0.0%
<b>EBIT</b>	<b>19,965</b>	<b>2.5%</b>	<b>82,332</b>	<b>9.3%</b>
Net interest	(2,251)	(0.3%)	(4,386)	(0.5%)
<b>EBT</b>	<b>17,714</b>	<b>2.2%</b>	<b>77,946</b>	<b>8.8%</b>
Income tax	(7,675)	(1.0%)	(27,959)	(3.2%)
Tax rate	43%	0%	36%	0%
<b>Net income</b>	<b>10,039</b>	<b>1.2%</b>	<b>49,987</b>	<b>5.6%</b>
<b>EPS (Earnings per shares)</b>	<b>0.04</b>		<b>0.19</b>	
<b>EBITDA</b>	<b>61,557</b>	<b>7.6%</b>	<b>121,333</b>	<b>13.7%</b>
Special items	(24,425)		(582)	
<b>EBITDA adjusted</b>	<b>85,982</b>	<b>10.6%</b>	<b>121,915</b>	<b>13.7%</b>

EBITDA: is the operating profit plus depreciation, amortization and can be directly calculated from the financial statements as integrated by the notes.

(\*) The retrospectively application of the amendment to IAS 19 - Employee Benefits, general and administrative expenses for the year 2011 has increased for Euro 0.2 million.

# GEOX

## RECLASSIFIED CONSOLIDATED BALANCE SHEET

(Thousands of Euro)	Dec. 31, 2012	Dec. 31, 2011
Intangible assets	67,827	67,222
Property, plant and equipment	68,090	63,658
Altre attività non correnti - nette	50,899	40,599
<b>Total non-current assets</b>	<b>186,816</b>	<b>171,479</b>
<b>Net operating working capital</b>	<b>192,093</b>	<b>217,768</b>
<b>Other current assets (liabilities), net</b>	<b>(17,965)</b>	<b>(23,331)</b>
<b>Net invested capital</b>	<b>360,944</b>	<b>365,916</b>
Equity	402,836	446,428
Fondi TFR, fondi rischi e oneri	12,254	10,180
Posizione finanziaria netta	(54,146)	(90,692)
<b>Net invested capital</b>	<b>360,944</b>	<b>365,916</b>

## OPERATING WORKING CAPITAL AND OTHER CURRENT ASSETS (LIABILITIES)

(Thousands of Euro)	Dec. 31, 2012	Dec. 31, 2011
Inventories	209,249	196,610
Accounts receivable	145,450	154,171
Accounts payable	(162,606)	(133,013)
<b>Net operating working capital</b>	<b>192,093</b>	<b>217,768</b>
<b>% of sales for the last 12 months</b>	<b>23.8%</b>	<b>24.5%</b>
Taxes payable	(11,039)	(11,818)
Other non-financial current assets	35,303	21,801
Other non-financial current liabilities	(42,229)	(33,314)
<b>Other current assets (liabilities), net</b>	<b>(17,965)</b>	<b>(23,331)</b>



# GEOX

## RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENTS

(Thousands of Euro)	2012	2011 (*)
<b>Net income</b>	<b>10,039</b>	<b>49,987</b>
Depreciation, amortization and impairment	41,592	39,001
Other non-cash items	10,907	(604)
	<b>62,538</b>	<b>88,384</b>
Change in net working capital	19,661	(44,128)
Change in other current assets/liabilities	(15,208)	6,080
<b>Cash flow from operations</b>	<b>66,991</b>	<b>50,336</b>
Capital expenditure	(48,146)	(36,093)
Disposals	1,408	2,407
<b>Net capital expenditure</b>	<b>(46,738)</b>	<b>(33,686)</b>
<b>Free cash flow</b>	<b>20,253</b>	<b>16,650</b>
Dividends	(41,473)	(46,657)
<b>Change in net financial position</b>	<b>(21,220)</b>	<b>(30,007)</b>
<b>Initial net financial position - prior to fair value adjustment of derivatives</b>	<b>78,214</b>	<b>108,504</b>
Change in net financial position	(21,220)	(30,007)
Translation differences	798	(283)
<b>Final net financial position - prior to fair value adjustment of derivatives</b>	<b>57,792</b>	<b>78,214</b>
Fair value adjustment of derivatives	(3,646)	12,478
<b>Final net financial position</b>	<b>54,146</b>	<b>90,692</b>

(\*) FY 2011 restated as a result of the retrospectively application of the amendment to IAS 19 - *Employee Benefits*.